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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, JANUARY 19, 2000

PETITION OF

CASE NO. PUA990024

FOX RUN WATER COMPANY, INC.

For approval to acquire utility assets

ORDER GRANTING APPROVAL

On March 4, 1999, Fox Run Water Company, Inc. ("Fox Run," the "Company"), filed a petition under the Utility Transfers Act requesting approval to acquire utility assets. In Case No. PUE990001, the Commission issued an Order Inviting Written Comments and Requests for Hearing ("Order") on April 28, 1998, in connection with the proposed acquisitions. Fox Run filed proof of its notice on June 24, 1999. Two comments were received but no requests for hearing were made.

Fox Run specifically requests approval to acquire all utility assets relating to the production, transmission and/or distribution of water, and all control, rights, and privileges associated with ownership of such utility assets located within the following

subdivisions: Anchor Cove, The Anchorage ("Anchorage"), Joyceville, Cliffs on the Roanoke ("Cliffs"), Tanglewood Shores ("Tanglewood"), and Rolling Acres.

Fox Run represents that it is confident that it has the ability to furnish the systems with adequate and reliable water service. Fox Run is a wholly owned subsidiary of Tanglewood Land Company, Inc. ("Tanglewood Land"). The Company furnishes water for domestic household use to residents within subdivisions developed by Tanglewood Land and other associated companies. All systems once developed are operated and maintained by Fox Run.

In 1991, Tanglewood Land sold Fox Run to Moseley & Nash Enterprises, Inc. ("Moseley & Nash"). As stated by the Company, Moseley & Nash has extensive experience in domestic, commercial, and industrial applications related to the water supply industry. All operations, repairs, maintenance, and monitoring required for Fox Run's systems, other than situations that exceed Moseley & Nash's technical knowledge, are contracted through Moseley & Nash. The Company states that such arrangement results in a quicker response time for emergency repairs and customer complaints as well as easier scheduling of routine maintenance and monitoring. Moseley & Nash and Fox Run operate as separate entities. All material and labor required are itemized and charged to Fox Run.

Fox Run represents that Anchor Cove, Anchorage, Joyceville, and Cliffs are all systems currently owned by others. Tanglewood and Rolling Acres are currently operated and maintained by Fox Run. Fox Run further represents that purchase prices were determined through arms-length negotiations and terms agreeable to all parties

involved. The proposed acquisitions will result in a rate increase for all six (6) systems. Additionally, the proposed acquisitions will result in an increase in water connection charges for all systems except Joyceville.

An audit of Fox Run's books and records was conducted by Public Utility Accounting in Case No. PUE990001, and it was determined that the proposed rates were reasonable. In that audit, Staff determined that the actual dollar amount of the proposed rates was consistent with or less than that of other similar water utilities regulated by the Commission.

As stated in the Petition, Tanglewood, and Rolling Acres will be transferred at no cost to Fox Run. Anchor Cove and Anchorage will be transferred as contributed property. The other two systems, Joyceville and Cliffs, will be transferred at a cost of 70% of connection fees collected by Fox Run for ten (10) years and five (5) years, respectively.

THE COMMISSION, upon consideration of the petition and representations of the Company and having been advised by Staff, is of the opinion and finds that the above-described acquisition of utility assets will neither impair nor jeopardize the provision of adequate service to the public at just and reasonable rates and should be approved. Accordingly,

IT IS ORDERED THAT:

- 1) Pursuant to Virginia Code §§ 56-89 and 56-90, Fox Run Water Company, Inc., is hereby granted approval to acquire the utility assets of Anchor Cove, Anchorage, Joyceville, Cliffs, Tanglewood, and Rolling Acres as described herein.
- 2) The approval granted herein shall have no ratemaking implications.
- 3) The Company shall file a Report of Action with the Director of Public Utility Accounting of the Commission on or before March 21, 2000, subject to extension by the Commission's Director of Public Utility Accounting. Such report shall contain the date of transfer, the sales price, and all accounting entries reflecting the transfer.
- 4) There appearing nothing further to be done in this matter, it is hereby dismissed.